

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
PA-02 L-03 H-02 /122 W
-----040900 310937Z /14

P 310928Z AUG 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 0851
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: GOJ STIMULUS PACKAGE

1. SUMMARY: KEY CABINET MINISTERS MET WITH THE PRIME
MINISTER EVENING OF AUG 30 AND HAMMERED OUT A COMPROMISE
YEN 2.5 TRILLION (\$13 BIL) FIGURE FOR THE STIMULUS
PACKAGE SLATED TO BE AGREED AT THE SEPT 2 CABINET ECONOMIC
MINISTERS MEETING. END SUMMARY.

2. ATTENDING THE WED EVENING MEETING WERE FINANCE
MINISTER MURAYAMA, MITI MINISTER KOMOTO, EPA DIRECTOR
GENERAL MIYAZAWA AND CABINET SECRETARY ABE. THE MEETING
WITH THE PRIMIN WAS HELD AFTER THE MINISTERS HAD APPAR-
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ENTLY BEEN UNABLE TO RESOLVE EARLIER DIFFERENCES AMONG
THEMSELVES OVER THE SCALE OF SPENDING MEASURES TO BE
TAKEN. THE AGREED YEN 2.5 TRIL IS GENERALLY SEEN AS
REPRESENTING A COMPROMISE BETWEEN THE YEN 3 TRIL MITI HAD
PRESSED FOR RECENTLY AND THE YEN 2.0 TRIL OR SLIGHTLY
HIGHER MOF CONSIDERED ADEQUATE. WITH THE MAJOR MINISTRIES
NOW AGREED ON THE SCALE OF THE STIMULUS MEASURES, THE SAT

SEPT 2 MEETING OF THE LARGER ECONOMIC CABINET MINISTERS CAN BE EXPECTED TO GIVE ITS SEAL OF APPROVAL TO THIS ELEMENT OF THE PACKAGE THEY RECOMMEND, WHICH (AS DISCUSSED IN TOKYO 15697) IS EXPECTED TO TAKE THE FORM OF A SEVEN-POINT PROGRAM. AFTER THAT A FORMAL SUPPLEMENTARY BUDGET WILL BE DRAFTED BY MOF FOR SUBMISSION TO THE EXTRAORDINARY DIET SESSION.

3. LITTLE NEW DETAIL EMERGED FROM THE WED EVENING MEETING. EPA CONFIRMS THAT MIYAZAWA GAVE THE PRESS THE FOLLOWING BREAKDOWN, WHICH DIFFERS SOMEWHAT FROM EARLIER PRESS SPECULATION:

I. ADDITIONAL DEMAND THRU FISCAL MEASURES BIL YEN

(1) PUBLIC WORKS AND SOCIAL WELFARE
(CENTRAL GOVT) 1,340

(2) EXPANSION OF PUBLIC HOUSING LOANS (FLIP) 840
- HOUSES (20,000 UNITS)
- APARTMENTS (47,000 UNITS)
- IMPROVEMENTS (6,000 UNITS)

(3) LOCAL GOVTS - PUBLIC WORKS 320

TOTAL 2,500
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II. ADDITIONAL PRIVATE INVESTMENT BY ELECTRIC POWER COMPANIES 160

4. IN ADDITION UNTILITY CO. DISTRIBUTION OF YEN GAINS IS EXPECTED TO APPROXIMATE YEN 300 BIL. THE ADDITIONAL INVESTMENT BY THE POWER COMPANIES IS OVER AND ABOVE THE YEN 3.2 TRIL SPENDING PROGRAM THEY ALREADY HAVE ON THE BOOKS FOR THIS YEAR. ACCORDING TO EPA THE POWER FIRMS RECENTLY AGREED TO INCREASE THEIR INVESTMENT PLANS BY YEN 1.6 TRIL AND YEN 160 BIL OF THIS WILL BE SPENT IN JFY 78.

5. MIYAZAWA DESCRIBED THE FISCAL PROGRAM AS PROVIDING ADDITIONAL DEMAND DURING JFY 78 EQUAL TO 1.2 PCT OF GNP AND 1.3 PCT OF GNP IF THE POWER COMPANY INVESTMENT IS INCLUDED.

6. IT IS ALSO REPORTED THAT THE ASSEMBLED MINISTERS AGREED NOT TO CARRY OUT FURTHER INCOME TAX CUTS THIS FISCAL YEAR. MANSFIELD

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Status: NATIVE
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TAGS: EFIN, JA
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